



**Executive Board of
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and of the United Nations
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OFFICE FOR PROJECT SERVICES

Financial regulations governing the operations of UNOPS

Report of the Administrator and of the Executive Director

I. INTRODUCTION

1. At its third session 1994, the Executive Board was presented with documents DP/1994/62/Add.2 (Proposed annex to UNDP Financial Regulations and Rules to govern activities of the United Nations Office for Project Services (UNOPS)) and, subsequently, DP/1994/CRP.11 (English only) (the Legal Counsel's revised text of the Financial Regulations for UNOPS, closely based on DP/1994/62/Add.2).

2. The present report is submitted to the Executive Board pursuant to paragraph 8 of Executive Board decision 94/32, wherein the Executive Board decided to review proposed Financial Regulations for UNOPS at its first regular session in 1995. The proposed Financial Regulations contained in Addendum 1 to the present document are primarily based on DP/1994/CRP.11, to which a few changes have been made to respond, in particular, to paragraphs 1, 2, 3, 4 and 6 of Board Decision 94/32 as well as to ensure consistency throughout the document and further enhance clarity. The Administrator and the Executive Director are pleased to inform the Board that the Financial Regulations proposed herewith have been endorsed by the Legal Counsel and by the Management Coordination Committee. The Executive Board is therefore requested to approve the proposed Financial Regulations contained in DP/1995/7/Add.1. In addition, as explained in more detail below, the Executive Board is also requested to decide on the level at which the operational reserve shall be established.

3. The proposed Financial Regulations for UNOPS shall be an annex to the United Nations Development Programme Financial Regulations; however, they are presented in document DP/1995/7/Add.1 as a self-contained format that provides greater usability.



II. KEY PROVISIONS OF THE PROPOSED REGULATIONS

4. Following is a summary of the key provisions of those proposed regulations that have been reformulated in response to decision 94/32.

(a) Accountability. The Executive Director shall be accountable to the Executive Board and the Secretary-General for UNOPS activities and shall report to the Executive Board through the Management Coordination Committee, which shall provide operational guidance and exercise management direction over the functioning of UNOPS (proposed Regulation 3.1);

(b) Financial periods. Regulations concerning the period for project budgets have been added for clarity and completeness (proposed Regulations 4.2 and 4.3);

(c) UNOPS activities. UNOPS shall undertake its activities under policies set by the Executive Board (proposed Regulation 5.1), shall enter into written arrangements to undertake those activities (proposed Regulation 5.3), and shall provide services within the framework of a project document (proposed Regulation 5.4).

5. Bearing in mind the self-financing principle as well as observations made by the Board at its third regular session 1994 on the subject of the UNOPS Account and the proposed operational reserve, the Administrator and the Executive Director are presenting below additional details on these matters:

(a) Self-financing mechanisms. UNOPS shall be a self-financing entity that must rely solely on income it earns in order to cover its operational costs. To support this principle, all income earned by UNOPS shall remain in the UNOPS Account (proposed Regulation 5.2), and mechanisms such as an operational reserve (proposed Regulation 8.3) and working capital (proposed Regulation 8.5) have been included;

(i) The accumulated unspent income that has accrued to UNOPS through 31 December 1994 (approximately \$9 million) shall be transferred into the UNOPS Account on 1 January 1995;

(ii) From that amount, OPS proposes that the operational reserve be established (proposed Regulation 8.3) with an initial level set at 20 per cent of the annual UNOPS administrative budget, rounded to the nearest hundred thousand dollars. This is the same principle approved by the former Governing Council for the establishment of the UNDP operational reserve. For 1995, the amount of the reserve shall be \$6.8 million. This would cover potential shortfalls in income or cash flow difficulties. As was indicated in document DP/1994/62, UNOPS shall undertake a study of potential risks and liabilities so as to determine the need for any changes to the level of this reserve;

(iii) The balance of unspent income shall be deemed "working capital" (proposed Regulation 8.5) and utilized by UNOPS through the normal budget process requiring Executive Board approval. The initial amount of working capital shall be approximately \$2.2 million.

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6. Financial Rules for UNOPS. Subject to confirmation from the Administrator that there are no conflicts with the applicable UNDP Financial Regulations, for which he is responsible and accountable, the Executive Director shall, in consultation with the Management Coordination Committee, establish Financial Rules for UNOPS (proposed Regulation 10.1). Upon approval of the proposed Financial Regulations for UNOPS, the Executive Director will be in a position to circulate to the Executive Board the corresponding proposed Financial Rules.

III. RECOMMENDATIONS

7. The Executive Board may therefore wish to:

- (a) Take note of the present report;
- (b) Approve the text of Financial Regulations that are contained in document DP/1995/7/Add.1; and
- (c) Decide that the UNOPS operational reserve shall be established at a level equal to 20 per cent of the annual UNOPS administrative budget, rounded to the nearest hundred thousand dollars.
